

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF DELAWARE

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5 IN RE:)
6) CIVIL ACTION NO. 99-371-KAJ
7) (CONSOLIDATED)
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ADAMS GOLF, INC.,)
SECURITIES LITIGATION)

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ORAL DEPOSITION OF
PATRICIA CRAUS
FEBRUARY 18, 2005

* * * * *

ORAL DEPOSITION OF PATRICIA CRAUS, produced as a
witness at the instance of the Defendants, and duly
sworn, was taken in the above-styled and numbered cause
on February 18, 2005, from 9:59 a.m. to 1:15 p.m.,
before DELLA M. SAWVEL, CSR in and for the State of
Texas, reported by machine shorthand, at the offices of
AKIN GUMP STRAUSS HAUER & FELD, LLP, 300 West 6th
Street, Suite 2100, Austin, Texas, pursuant to Federal
Rule of Civil Procedure 30(b)(1) and the District of
Delaware Federal Rules.

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APPEARANCES

FOR THE PLAINTIFFS:

Ms. Elizabeth W. Fox
 BERGER & MONTAGUE, P C
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 Philadelphia, PA 19103-6305

FOR THE DEFENDANTS ADAMS GOLF
AND INDIVIDUAL DEFENDANTS:

Ms. Michelle A. Reed
 Mr. Christopher W. Ahart
 Ms. Jennifer R. Brannen
 AKIN GUMP STRAUSS HAUSER & FELD, LLP
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 Austin, Texas 78701

FOR THE DEFENDANT UNDERWRITERS:

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 Interrogatories to Proposed Class
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PATRICIA CRAUS,

having been first duly sworn, testified as follows:

EXAMINATION

BY MS. REED:

Q. Good morning, Ms. Craus. I am Michelle Reed
 and I represent the defendants, Adams Golf, and then the
 individual defendants in this action.

MR. McEVROY: My name is Ted McEvoy from
 Simpson, Thacher & Bartlett, and I represent the
 underwriter defendants in this action.

Q. (BY MS. REED) Could you please state your full
 name for the record.

A. Patricia, P-A-T-R-I-C-I-A, Ann, A-N-N, Craus,
 C-R-A-U-S.

Q. And what is your date of birth?

A. 11/23/36.

Q. Have you ever had your deposition taken before?

A. Yes.

Q. When did you have that taken?

A. I can't remember the date. Somewhere -- I
 really don't remember the date.

Q. Do you know about when or --

A. Probably around 1995 maybe.

Q. And have you only had it taken one other time?

A. I have actually -- and this is just related to

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1 something that is not securities or anything, but
 2 probably it was longer ago than that. I would just be
 3 guessing to say around 1992 or something.
 4 Q. Okay. What types of cases have you had your
 5 deposition taken in?
 6 A. I'm a land developer, and it would be like a
 7 homeowner might file suit over something they felt
 8 wasn't what it was supposed to be, and then I ended up
 9 in a suit, a class action suit with American Airlines.
 10 They just sent me papers and I don't have a clue what
 11 they did.
 12 Q. So you weren't a named party?
 13 A. No, no, no.
 14 MS. FOX: But there was no deposition in
 15 that.
 16 THE WITNESS: No deposition, no, I'm
 17 sorry. I got, I think, three little tickets that if you
 18 appeared in a chicken suit at 8:00, you got \$15 off your
 19 ticket, or something to that effect.
 20 Q. (BY MS. REED) Were you a party in the land
 21 developer suits?
 22 A. Yes.
 23 Q. And were you a defendant?
 24 A. Individually, no. No, only as a company.
 25 Q. Okay. I just want to go over some basic ground

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1 truthfully and accurately?
 2 A. No.
 3 Q. Could you give me your address?
 4 A. 520 Lakeside, one word, L-A-K-E-S-I-D-E, Drive,
 5 and it's in the town of Azle, A-Z-L-E, Texas, 76020.
 6 Q. And were you living at that address in 1998 to
 7 '99?
 8 A. Yes.
 9 Q. And what is your business?
 10 A. Basically, it has been land development, but
 11 also building shopping -- built a shopping center and
 12 movie theatre and various investments.
 13 Q. What is the name of your business?
 14 A. I have several. The most active would be Star
 15 Village, L.P.
 16 Q. Are you married?
 17 A. No.
 18 Q. I'd like to go over some of your educational
 19 background starting with high school, going through any
 20 potential graduate school you might have had.
 21 A. High school was in Beaumont, Texas, and then a
 22 BA degree from Howard Payne University in Brownwood.
 23 Q. What was your degree that you received?
 24 A. Major in speech.
 25 Q. Sorry. I should have asked what your

Page 7

1 rules.
 2 A. Sure.
 3 Q. Since you've had it taken before, you probably
 4 know, you're under oath and so this is as if we were in
 5 court. You're supposed to testify truthfully. And this
 6 is probably the most important rule, is to answer
 7 audibly, uh-huhs, or huh-uhs, are difficult for her to
 8 type down, and it's best for us not to talk over one
 9 another. I'm sometimes the worst at that. Because it's
 10 hard for her to take down two people talking at the same
 11 time.
 12 Tell me if you don't understand a question
 13 I ask. It's no problem. I can rephrase it. I'll try
 14 to be clear, but if you answer, I will assume that you
 15 understand the question. If you need a break, say so.
 16 We can do it at any time. Try not to leave a question
 17 pending. Just answer the question and we can take a
 18 break. Don't guess in your answers to any of these
 19 questions, but I'm still entitled to your best
 20 recollection. So -- but there's no reason to guess. Is
 21 there any reason you can't give your best testimony here
 22 today?
 23 A. No.
 24 Q. And is there any mental or physical condition
 25 or medications that would prevent you from testifying

Page 9

1 major/minor was, because your degree was a BA.
 2 A. It was a BA degree.
 3 Q. Did you have any financial business accounting
 4 classes?
 5 A. I think I had one class that was business. I
 6 minored in Bible.
 7 Q. In --
 8 A. Bible.
 9 Q. Okay. And do you have any graduate education?
 10 A. No.
 11 Q. Have you taken any seminars or trade courses
 12 since -- since graduating from college?
 13 A. Well, I received a broker's license from the
 14 State of Texas.
 15 Q. A real estate?
 16 A. Yes.
 17 Q. When did you receive that license?
 18 MS. FOX: Don't guess.
 19 THE WITNESS: A very long time ago.
 20 Q. (BY MS. REED) Are you a member of any
 21 professional societies?
 22 A. No.
 23 Q. Now, I'd like to turn to your employment
 24 history. If you could, list your employers since you
 25 graduated from college. Now, I know that might be a

3 (Pages 6 to 9)

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1 lot So if you want to sort of group them, that's fine,
 2 so that we can move it along.
 3 MS. FOX: Do you have that -- off the
 4 record just a second.
 5 (Discussion off the record)
 6 Q. (BY MS. REED) Does the CV cover your major
 7 employers since you graduated?
 8 A. Yes.
 9 Q. Okay. Let's skip over this, and then we can
 10 come back.
 11 MS. FOX: That's fine.
 12 Q. (BY MS. REED) When did you learn that you were
 13 going to have your deposition taken in this case?
 14 A. I don't remember the date, but in the past year
 15 or so.
 16 Q. And who told you?
 17 A. The firm of -- that's represented by Ms. Fox,
 18 Berger & Montague.
 19 Q. Did you meet with anyone to prepare for this
 20 deposition?
 21 A. Yes.
 22 Q. Who did you meet with?
 23 A. Ms. Fox.
 24 Q. When did you meet with Ms. Fox?
 25 A. Last night.

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1 Q. Did you meet with her at any other time?
 2 A. No.
 3 Q. How long did you meet?
 4 A. We had dinner, probably two hours at the
 5 maximum.
 6 Q. Have you met personally with any of your
 7 attorneys before today?
 8 A. No.
 9 Q. Or I guess I should say before last night?
 10 A. Yes. Okay.
 11 Q. And did you -- have you communicated with
 12 anyone else in preparation for your deposition?
 13 A. Well, I have spoken with Todd Collins with the
 14 firm of Berger & Montague, and I have spoken with
 15 Ms. Fox.
 16 Q. Have you spoken with anyone else about your
 17 deposition other than your attorneys?
 18 A. No.
 19 Q. And this includes phone or written
 20 communications?
 21 A. Yes.
 22 Q. Did you review any documents to prepare for
 23 your deposition?
 24 A. Yes.
 25 Q. What did you review?

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1 A. The papers for copying. That would have been
 2 generally most of them.
 3 Q. And when did you review those documents?
 4 A. In the past two weeks.
 5 Q. Did any of those documents refresh your memory
 6 about the events connected with this lawsuit?
 7 A. Yes, it did some.
 8 Q. Which ones?
 9 A. The portfolio, the -- it was from Lehman
 10 Brothers.
 11 Q. The one we saw that was bound?
 12 A. Yes, yes.
 13 Q. We can identify that later.
 14 A. Prospectus or whatever they call them.
 15 Q. Who are you suing in this action?
 16 A. Adams Golf and named parties, and I'm not sure
 17 who else is involved in the suit.
 18 Q. Do you know any of those named parties? Can
 19 you name any of those named parties?
 20 A. You mean like with Adams Golf or something?
 21 Q. Yes.
 22 A. Yes, Barney Adams.
 23 Q. Any others?
 24 A. No.
 25 Q. Why are you suing my clients?

Page 1.

1 A. I purchased stock at the initial public
 2 offering, and I feel I was misled as to various facts
 3 provided to me, both before and after the purchase.
 4 Q. Which facts do you feel misled you?
 5 A. First, I was to be sold 2,000 shares of stock
 6 at a price that preceded the \$16 IPO rate. Then, I
 7 realized that afterward that a great, great deal of
 8 funds, you know, went directly to other people from the
 9 IPO and that in the gray market area, they call it,
 10 there were -- there was a real overload of product
 11 existent, and because I had gone into great detail that
 12 the product would be sold only through pro shops and --
 13 Q. Pro shops?
 14 A. Yes. Golf pro shops. I'm sorry. And that's
 15 probably about it, I guess.
 16 Q. Are you suing on the basis of these two or
 17 three, however you want to classify them,
 18 representations, on all of these?
 19 A. Yes, in all of them, because I'm sure in some
 20 way, each one has an involvement.
 21 Q. Now, you talked about a gray market overload.
 22 What do you believe that my clients did wrong?
 23 A. I directly was told that, by Mr. Adams, that
 24 one of the secrets to the success of the company would
 25 be the marketing process. Having been in marketing

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1 through my companies, I know that that's very critical
 2 to whether you succeed or fail. And supply and demand
 3 creates value, and I felt that was a good approach,
 4 because it would be sold through either golf
 5 professional shops at the golf courses or places that
 6 teach like Hank Haney school in Dallas and that the --
 7 it would become a high line, not an inexpensive-type
 8 golf club that you could purchase, you know, just about
 9 anywhere. That was probably, I think, their most --
 10 their intent there, was probably the right direction.
 11 They just didn't do it.

12 Q. And what evidence do you have to support your
 13 belief that they didn't do it?

14 A. Well, number one -- of course, I've read
 15 articles regarding the gray market event. They called
 16 it gray market. I don't know why that particular term,
 17 but it meant sales that were -- that were done that were
 18 a lot cheaper than like if I went to the golf pro shop
 19 to buy the clubs, I would pay a much higher price than
 20 if you went to one of the retail-type stores that were
 21 discounted heavily.

22 Also, during that same time, I cannot
 23 remember whether I read it or I was told by Barney or
 24 who, but I was told that because of the gray market
 25 happening, that there were many golf professional shops

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1 that were very disenchanted and were returning their
 2 clubs back to Adams Golf and getting -- or requesting
 3 their monies back.

4 Q. Do you remember when you read these articles?

5 A. It would have been after the IPO, but not too
 6 far after.

7 Q. Did you read any of these articles before the
 8 IPO?

9 A. Oh, no, I did not read it before the IPO.

10 Q. Do you know how many defendants there are in
 11 this action?

12 A. No, not totally. I know Adams Golf.

13 Q. In 1998, what sort of business was Adams Golf
 14 in?

15 A. Barney -- I had toured the factory several
 16 times or his plant.

17 THE REPORTER: You had?

18 THE WITNESS: I had toured his plant
 19 several times and it was the Tight Lies that were, I
 20 think, basically Fairway Woods, and he demonstrated, you
 21 know, the -- how you put them together and the various
 22 things. That would probably be it.

23 Q. (BY MS. REED) Do you know how -- I guess we've
 24 already covered. You know how Adams markets its
 25 products. Do you know in 1998 who Adams sold its clubs

Page 16

1 to?

2 A. I couldn't name who they sold it to. It was
 3 supposed to be golf pro shops and I know Hank Haney
 4 School of Golf had them.

5 Q. Have you ever seen any Adams Golf
 6 advertisements?

7 A. Yes.

8 Q. Were these television advertisements?

9 A. I might have seen one television advertisement;
 10 otherwise, it would have possibly been something out of
 11 a golf magazine.

12 Q. In your interrogatories, you said that you saw
 13 ads in the paper for clubs sold at discount or off-price
 14 stores; is that right?

15 A. Yes.

16 Q. When did you see these advertisements?

17 A. It would have been after the IPO, but not too
 18 much after.

19 Q. When you say not too much after --

20 A. Well, like in months, not years.

21 Q. Do you remember what stores were advertising?

22 A. Would you repeat that?

23 Q. Yeah, let me clarify. Do you remember what
 24 stores were advertising the discount on Adams Golf
 25 clubs?

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1 A. I think that Cosco was involved in the article.
 2 I can't remember the others, no.

3 Q. When did you first learn about the IPO?

4 A. At least a month or two before the IPO.

5 Q. So the IPO is in July. So May time frame?
 6 Does that sound right?

7 MS. FOX: I think there's some documents.

8 THE WITNESS: Dates on the documents would
 9 have taken it back as far as I have written documents,
 10 but I was aware several -- you know, as I say, a couple,
 11 three months ago, before.

12 Q. (BY MS. REED) Were you aware before Lehman
 13 Brothers sent you those documents?

14 A. Yes.

15 Q. And how were you made aware?

16 A. Barney Adams and Clyde Smith.

17 Q. And who's Clyde Smith?

18 A. A business -- well, a very close friend and a
 19 business associate in one instance.

20 Q. And what is his relationship to Adams Golf?

21 A. He was a major backer of Barney Adams in the
 22 beginning of his company.

23 Q. A financial backer or just --

24 A. Yes, a financial backer and they were friends,
 25 I'm sure.

5 (Pages 14 to 17)

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1 Q. After learning about the IPO, Adams Golf IPO,
2 did you follow the company?
3 A. Yes.
4 Q. How did you do that?
5 A. Of course, the newspapers. Possibly a
6 conversation with Barney Adams over the telephone and
7 discussions with Mr. and Mrs. Smith.
8 Q. So you -- did you -- you said you saw news
9 articles about Adams Golf?
10 A. Yes.
11 Q. Did you see press releases about Adams Golf?
12 A. There was a press release stating there would
13 be an IPO. Otherwise, it would have been related to the
14 gray market information and that type thing.
15 Q. What was your understanding of the -- withdraw.
16 Who is W.D.C. McKenzie?
17 A. Who is who?
18 Q. W.D.C. McKenzie?
19 A. I don't know.
20 Q. I'm now going to show you what's been marked as
21 Defendant's Exhibit 1. Do you recognize this document?
22 A. I don't know that I've ever seen this.
23 Q. Well, let me represent to you -- just going to
24 identify it for the record Defendant's Exhibit 1 is
25 Amendment No. 3 to Form S-1 of Adams Golf, Inc., without

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1 amendments, and it's not Bates stamped. This is the
2 prospectus that Adams Golf submitted to the ICC in
3 connection with this IPO.
4 MS. FOX: It's a copy of the --
5 MS. REED: Yeah, excuse me, it's a copy of
6 the prospectus. In fact, everything I'm using today
7 will be copies. None of them will be originals.
8 THE WITNESS: I received something from
9 Lehman Brothers, but I don't remember anything this
10 thick. I remember more clearly the booklet that's being
11 copied.
12 Q. (BY MS. REED) Okay.
13 A. To the best of my memory, I don't know.
14 MS. FOX: This would have been a copy of
15 two-sided tissue paper. So it probably wouldn't have
16 been this thick, is that right, the original?
17 MS. REED: Probably not.
18 MS. FOX: The original probably would have
19 been in a form of the one that you produced?
20 THE WITNESS: That fits more to my memory
21 is something around that other size.
22 MS. REED: Okay.
23 MS. FOX: Might have been a little larger
24 than the other one that I brought.
25 Q. (BY MS. REED) Do you have any recollection of

Page 20

1 reading a prospectus?
2 A. Yes.
3 Q. Did you read the prospectus all the way
4 through?
5 A. Yes.
6 Q. What statements in the prospectus do you
7 believe were false or misleading?
8 A. First, the marketing procedure was not
9 followed. Secondly, I believe that most of the funds
10 from the IPO would remain in the company rather than
11 being distributed to partners. And I think the pursuit
12 of quality and advancement of the clubs. I'm sure some
13 was done, but I did not feel at all that it was as
14 timely and certainly not representative of what I felt
15 they were telling me in the prospectus.
16 Q. Specifically looking at the prospectus, can you
17 identify any statement that you believe was false? I
18 understand you've given me three different examples of
19 types of things you believe were false, but do you have
20 any specific statements that were contained -- can you
21 identify any specific statements contained in the
22 prospectus that were -- that you believe were false?
23 MS. FOX: I would object to that. This is
24 a half-inch document. For her to go through to find the
25 statements that are actually in the complaint would be

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1 ridiculous. I couldn't find them sitting here today.
2 THE WITNESS: I was going to say, I would
3 have to take time to read the entire booklet.
4 Q. (BY MS. REED) Okay. Let's do a timesaver. Do
5 you believe that anything other than what is alleged in
6 the complaint is false and misleading in this
7 prospectus?
8 MS. FOX: Other than what she's already
9 said.
10 THE WITNESS: Again, you know, I'd have to
11 read it.
12 Q. (BY MS. REED) Okay. Maybe on a break, I'd
13 like you to take a look at the prospectus so we can just
14 identify the statements that you believe my clients made
15 that were allegedly false.
16 A. I'd be happy to.
17 Q. Okay. Do you understand the difference between
18 a misrepresentation and an omission?
19 A. Legally, no.
20 Q. Generally, what's your understanding of a
21 misrepresentation versus an omission?
22 A. I would guess a misrepresentation would be to
23 hold forth something you were going to do knowing you
24 weren't going to do it, possibly. And what was the
25 other one?

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1 Q Omission.

2 A. Omission would be the failure to include
3 something.

4 Q. And in this case do you believe there were
5 misrepresentations or omissions?

6 A. Misrepresentations, primarily. There probably
7 were some omissions as well, but --

8 Q. What do you believe that the defendants should
9 have disclosed that they didn't?

10 A. I feel that there should have been disclosure
11 of the fact that there were so many clubs that were
12 already on the market that were not revealed to me.
13 They should have revealed -- well, they -- I was told I
14 would be able to buy 2,000 shares of stock at I think it
15 was \$2, because Barney had put me on his preferred list,
16 and that didn't happen. I definitely did not know that
17 the amount of the millions of dollars would go to these
18 named parties immediately at the IPO, or closely to
19 that.

20 Q. So you're saying that millions of dollars from
21 the IPO were given directly to the named defendants?

22 A. I think the named defendants were given the
23 stock at zero to something, but very low when they
24 joined Barney Adams, and then it was sold very -- not
25 too much thereafter, months probably, rather than years.

Page 23

1 at the \$16 value, which would have been millions, yes,
2 to each party or I assume millions to each party. I
3 know so in some cases.

4 Q. And this, what you think is an improper
5 distribution of millions of dollars, do you think -- do
6 you include the underwriters in that?

7 A. I think the underwriters had to know it. If
8 they didn't know it, I don't think they did their due
9 diligence. Yes, I would think they had to know it.

10 Q. Okay. So the underwriters knew about this
11 distribution, but you're not claiming that the
12 underwriters received money that they should not have?

13 A. I have no idea what they received.

14 Q. Okay. All right. Could you turn to Page 24 of
15 Exhibit 1. Now, the numbers are at the very bottom of
16 that, you know, sort of -- not the very bottom, but the
17 middle bottom.

18 Now, on this page, if you look at the
19 second block paragraph starting "Innovative marketing
20 model on strong retail" -- third line down, it says,
21 "to preserve the integrity of its image and reputation,
22 the company" --

23 A. I'm lost here. Just a minute. Third line down
24 under innovative -- okay, now, I'm with you.

25 Q. "To preserve" -- now, I'm lost. "To preserve

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1 the integrity of its image and reputation, the company
2 currently limits its distribution to retailers that
3 market premium quality golf equipment and provide a high
4 level of customer service and technical expertise." And
5 it continues, "The company currently sells its products
6 to on- and off-course golf shops and selective sporting
7 goods retailers. The company does not sell its products
8 through price sensitive general discount warehouses,
9 department stores or membership clubs." Do you -- do
10 you believe this is a true statement?

11 A. No.

12 Q. Why not?

13 A. First of all, I know they didn't do it. I
14 purchased a set of the clubs for a relative of mine, and
15 took him to the Hank Haney school in Dallas, where they
16 measured, you know, it was supposed to be a custom-type
17 thing, and then I started realizing that -- and I
18 paid -- I don't know what I paid for them, but I know it
19 was a type of service, I think, that was supposed to be
20 existent. Then when all the clubs started showing up
21 everywhere, you know, you take away any type of
22 exclusiveness or this club is -- you know, Tight Lies is
23 the club that everybody would want, because once you can
24 buy it anywhere and at a fraction of the price that
25 you'd buy it, like at Hank Haney school or a pro shop, I

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1 think that removed a lot of the exclusiveness. And
2 someone in the company, in my opinion, I don't think
3 that could happen without knowledge.

4 Q. So are you alleging that Adams Golf sold their
5 clubs to these discount warehouses?

6 A. I have no way to know how it happened.

7 Q. Okay. So you're just alleging that the clubs
8 ended up there?

9 A. And again, I think somewhere, when you have a
10 company holding out these facts and they're particularly
11 being very proud of the marketing strategy, and there
12 has to somehow be a way that the company had some
13 awareness, in my opinion.

14 Q. Do you know specifically who had that
15 understanding?

16 A. I don't understand the question.

17 Q. Let me clarify it. Do you know who at the
18 company knew that these clubs would end up at Costco?

19 A. I do not.

20 Q. All right. Let me show you what has been
21 marked as Exhibit 2. Do you recognize this document?

22 A. I believe I do.

23 Q. What is it?

24 A. It appears to be an amended class action
25 complaint. So I guess an amended portion of the suit.

7 (Pages 22 to 25)

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1 Q. Okay. Let me identify it for the record. It's
 2 the consolidated and amended class action complaint for
 3 violation of federal securities laws. It's not Bates
 4 stamped, but it's numbered Pages 1 through 25 with three
 5 additional pages at the end. Have you -- have you seen
 6 this document before?
 7 A. I believe I have.
 8 Q. When did you first see it?
 9 A. I really don't know. It would have been after
 10 the initial public offering, I believe, but it may not
 11 have been. I guess since the lawsuit. It would have to
 12 be after.
 13 Q. And I know you don't remember specifically, but
 14 do you recall if you saw it years ago or just recently?
 15 A. I do not recall. I really don't.
 16 Q. Other than today, have you seen this document
 17 recently?
 18 A. Not in the last week, I would not think. I
 19 would have -- I would say it would have been in my past,
 20 but I don't know when.
 21 Q. Okay. Did you file this complaint against the
 22 defendants?
 23 A. No.
 24 MS. FOX: I object. That's a legal
 25 conclusion

Page 27

1 Q. (BY MS. REED) Well, I'm just asking since
 2 you're, you know, a proposed class representative and
 3 you're involved in the litigation, is it your
 4 understanding that you were part of filing this suit?
 5 A. I was willing to be part of the suit, yes.
 6 Q. What investigation did you undertake before you
 7 filed the consolidated amended complaint, which I'll
 8 refer to as the complaint?
 9 MS. FOX: I'll object to the form. You
 10 know perfectly well that lawyers file amended
 11 complaints, plaintiffs don't. She was in Texas. It was
 12 filed in Delaware.
 13 Q. (BY MS. REED) Okay. I'm not talking about the
 14 physical act of filing the complaint, but since you
 15 are -- you say that you are part of this. What
 16 investigation did you take before you had your lawyers
 17 file this complaint?
 18 A. Well, I didn't have the lawyers, you know, file
 19 the complaint. I -- together, it was a class action
 20 suit. So I don't know how they did that, but my
 21 investigation would have been knowledge of conversations
 22 with Barney Adams and Mr. and Mrs. Smith, and the
 23 articles I told you I read about and the consequences of
 24 what happened to the stocks' value.
 25 Q. Did you help at all in preparing this

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1 complaint?
 2 A. No.
 3 Q. Did you read this complaint before it was
 4 filed?
 5 A. Yes. Well, before it was filed --
 6 MS. FOX: This is not the original
 7 complaint, obviously, that her -- her certification is
 8 attached to.
 9 THE WITNESS: Right, I read the --
 10 MS. FOX: This is a long, a later amended
 11 complaint.
 12 Q. (BY MS. REED) Which complaint is it your
 13 understanding that your certification was attached to?
 14 A. The earlier one.
 15 Q. An earlier one?
 16 A. Yeah, right.
 17 Q. Do you know specifically which one?
 18 A. No.
 19 MS. FOX: It would have been the first
 20 complaint that we filed, the first complaint that has
 21 her name on it.
 22 Q. (BY MS. REED) Okay. Now, before this
 23 complaint was filed, did you review it for accuracy?
 24 A. This one?
 25 Q. Uh-huh.

Page 2

1 A. I might have read it, but I didn't spend time
 2 studying it.
 3 Q. Do you consider yourself a careful person when
 4 it comes to reviewing important documents?
 5 A. Yes.
 6 Q. And is it fair to say that accuracy is
 7 important to you when you're reviewing important
 8 documents?
 9 A. Yes.
 10 Q. Other than the three things you mentioned,
 11 speaking to Barney Adams and the Smiths and reviewing
 12 those articles, did you do anything to satisfy yourself
 13 that these allegations were accurate?
 14 A. Well, I knew the allegations I just mentioned
 15 to you were accurate.
 16 Q. But other than those three things, you didn't
 17 do anything?
 18 A. I didn't go out and research anything, like
 19 going to the plant or anything like that, no.
 20 Q. If it turned out that the allegations in the
 21 complaint weren't accurate, would you be willing to
 22 dismiss the complaint?
 23 A. I don't think individually I have the power to
 24 dismiss the complaint.
 25 Q. Would you be willing to dismiss at least your

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1 Q. (BY MS. REED) So in response to the letter,
2 did you do anything?

3 A. I spoke with Mr. Collins.

4 Q. And after speaking with Mr. Collins, did you
5 decide to join the lawsuit?

6 A. Yes.

7 Q. What did you hear about the lawsuit?

8 MS. FOX: Well, I'm going to object. If
9 you heard it from anyone, any of the lawyers on the
10 case, you can't testify about it.

11 THE WITNESS: That would be true.

12 Q. (BY MS. REED) So other than the lawyers, did
13 you hear anything about the lawsuit?

14 A. No.

15 Q. Do you know who first filed the lawsuit against
16 Adams Golf?

17 A. No.

18 Q. Do you know the law firm that first filed the
19 lawsuit against Adams Golf?

20 A. I assume it was Berger & Montague.

21 Q. Do you know when the lawsuit was filed?

22 A. I couldn't give you the date of it, no. After
23 the IPO for sure, but I don't know the date, huh-uh.

24 Q. Was it like -- I'm just trying to get a general
25 idea. Six months? A year? Two years?

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1 A. No.

2 Q. Do you have any hesitation or concern about
3 filing the lawsuit?

4 A. Me filing a lawsuit?

5 Q. Yes.

6 A. Personally?

7 Q. Yes.

8 A. I would not have personally gone down and filed
9 a lawsuit, because the cost would have been exorbitant
10 compared to the recovery.

11 Q. Other than the costs, did you have any concern
12 about filing a lawsuit?

13 A. I would not have had, if I had wanted to.

14 Q. Do you believe that you have an obligation to
15 investigate the facts alleged in the complaint?

16 A. I don't know what you mean by "investigate."

17 Q. Well, what's your understanding of
18 investigation?

19 A. Well, to me, I would think you would, I guess,
20 try to go out and talk to employees at their company
21 possibly and stuff like that. I didn't do any of that.

22 Q. And you don't think you have any obligation to
23 do that?

24 A. I think I have an obligation of knowledge of
25 the instruments that I received in conversations by

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1 MS. FOX: Don't guess.

2 THE WITNESS: I was going to say, I would
3 be totally guessing.

4 Q. (BY MS. REED) Are you aware that several suits
5 against Adams Golf were filed initially, and they were
6 later consolidated into one case?

7 A. Not particularly.

8 Q. Were you a named party in any of the initial
9 lawsuits?

10 MS. FOX: Well, that calls for a legal
11 conclusion. I don't think she knows what that means.

12 Q. (BY MS. REED) Okay. Was your name on any of
13 the initial lawsuits?

14 A. My name ultimately was on the lawsuit. I don't
15 know if that means the initial one or when my name
16 but -- where my name first appears on one of the law
17 suits, that's the first time.

18 Q. But you don't recall when that is?

19 A. I'm sorry. I don't.

20 Q. Do you know whose idea it was to file a
21 lawsuit?

22 A. A lot of other people must have felt somewhat
23 like I did. I don't know who started it.

24 Q. Do you know whose idea it was to file a class
25 action?

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1 telephone that I had, and then, you know, gathering the
2 documents which I have provided for you.

3 Q. Do you know who investigated the facts that are
4 alleged in the complaints?

5 A. No.

6 Q. I'm going to show you what has been marked as
7 Defendant's Exhibit 4. It's Bates stamped PC 18. Do
8 you recognize this?

9 A. Yes, I do.

10 Q. What is it?

11 A. It's a certification that -- of course, as it
12 reads, you know, that I reviewed the complaint. I
13 didn't -- just exactly as it says. I do see an error on
14 it, however.

15 Q. And what's that error?

16 A. Well, where it says, "shares sold," I did sell
17 them, and in the documents you're reproducing, it shows
18 a copy of that sale.

19 Q. Okay.

20 A. I don't know why the three zeros are there. I
21 must not have understood that portion to begin with.

22 Q. Are there any other errors in this?

23 A. I don't see any.

24 Q. What is your understanding of what the term
25 "representative party" means?

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1 A. And where do you find that? I'm looking for
 2 it.
 3 Q. I'm just asking you in general.
 4 A. Oh, representative party?
 5 Q. Uh-huh.
 6 A. That I'm willing to represent the class,
 7 however large it is, and don't mind taking the time to
 8 appear, like here today.
 9 Q. Do you know whether you were appointed lead
 10 plaintiff in this action?
 11 A. No.
 12 MS. FOX: You don't know. Calls for a
 13 legal conclusion.
 14 THE WITNESS: No, I don't know.
 15 Q. (BY MS. REED) Do you know anyone who is a lead
 16 plaintiff in this action?
 17 A. No, I do -- not to my knowledge.
 18 Q. Can you name any lead plaintiffs?
 19 A. No, I couldn't.
 20 Q. Do you know whether you're seeking to be named
 21 class representative by the court?
 22 A. No, I don't know that.
 23 Q. Could you describe in your own words the class
 24 who you are -- who you are trying to represent?
 25 A. Basically, I would gather anyone who invested

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1 at the initial public offering that is in the lawsuit.
 2 Q. When you say, "that is in the lawsuit," what do
 3 you mean?
 4 A. Named parties. And then those that are not
 5 named, but did purchase.
 6 Q. Did you -- are there any geographic limitations
 7 to the class?
 8 A. I don't know.
 9 Q. How many members are in the class?
 10 A. I don't know.
 11 Q. Have you investigated that at all?
 12 A. No.
 13 Q. Is there more than one class?
 14 A. More than one class?
 15 Q. Yes.
 16 A. You mean more than one other person?
 17 Q. No. Is there more than one class?
 18 A. I don't know.
 19 Q. Do you know if any of the other class members
 20 bought Adams Golf stock?
 21 MS. FOX: She just defined the class as
 22 people that bought Adams stock. So that's sort of a
 23 trick question, and it's unnecessary.
 24 Q. (BY MS. REED) Well, I'm really not trying to
 25 trick you, I promise.

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1 When did class members purchase their
 2 stock?
 3 A. I think at the initial public offering or some
 4 amount of days thereafter. I don't recall how many
 5 amount of days were involved.
 6 Q. And why do you think it's some days thereafter?
 7 A. Because I think I saw that in the lawsuit.
 8 Q. Why are you seeking to serve as a class
 9 representative?
 10 A. Well, I began -- I was very poor when I grew
 11 up, and as I went into business, it was, of course,
 12 without being a very wealthy person by any means, and I
 13 think there are a lot of people out there who lost money
 14 that need to be represented by somebody for recovery, if
 15 that's the way the court rules.
 16 Q. When did the proposed class period begin?
 17 A. I don't know.
 18 Q. When does it end?
 19 A. I assume -- I don't know.
 20 Q. Do you think your claims are typical of the
 21 class of plaintiffs you represent?
 22 A. I believe so --
 23 MS. FOX: Object to the --
 24 THE WITNESS: Oh, excuse me.
 25 Q. (BY MS. REED) Do you know how many proposed

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1 class representatives there are?
 2 A. No.
 3 MS. FOX: She's asked and answered.
 4 MS. REED: I asked about lead plaintiff.
 5 I didn't ask about class reps.
 6 MS. FOX: Number of members, not known,
 7 why not.
 8 Q. (BY MS. REED) Right. I'm asking about do you
 9 know how many proposed class representatives there are?
 10 A. No.
 11 Q. Okay. Did you know that Federated National
 12 Insurance Company withdrew as a proposed class
 13 representative?
 14 A. Yes.
 15 Q. Why did they withdraw?
 16 A. I don't know.
 17 Q. How do you know that they withdrew?
 18 A. Ms. Fox and I discussed it last night.
 19 Q. Have you ever met with any of the other
 20 proposed class representatives?
 21 A. No.
 22 Q. Have you ever discussed the case with any of
 23 them?
 24 A. No.
 25 Q. Have you ever communicated to them in any way

13 (Pages 46 to 49)

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1 whether orally or written?
 2 A. Only Mr. and Mrs. Smith and my two business
 3 partners, as I've shared.
 4 Q. What do you understand your responsibilities
 5 are as a proposed class representative?
 6 A. I guess to appear for a deposition like today
 7 and at any other time I suppose that the court -- that
 8 I'm called upon to do so.
 9 Q. Why do you think you will be an appropriate
 10 class representative?
 11 MS. FOX: Well, first of all, that calls
 12 for a legal conclusion. I don't think she's -- can
 13 answer.
 14 MS. REED: Right. I mean, I'm not asking
 15 for a legal conclusion.
 16 Q. (BY MS. REED) I just want to know why you
 17 think you will be an appropriate class rep?
 18 A. Probably because I have knowledge of the
 19 misstatements and the misrepresentations that I believe
 20 were made, and I'm willing to do it.
 21 Q. How much time have you spent fulfilling your
 22 duties as lead plaintiff and proposed class rep?
 23 A. Reading all of the documents that were sent to
 24 me and coming up here.
 25 Q. What documents have been sent to you?

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1 A. I think most of them were provided in between
 2 here and the documents you were copying. There probably
 3 were some other communications with my attorney.
 4 Q. But other than the -- I guess when you say
 5 "documents," the complaint and these initial disclosures
 6 and then the documents that you gave to me --
 7 A. Yeah.
 8 Q. -- have you received any other documents?
 9 A. Probably from my attorney.
 10 Q. What -- what type of documents?
 11 A. Correspondence. And telephone conversation.
 12 Q. What would you call a document like Exhibit 3?
 13 A. Which one was 3?
 14 Q. It's the initial disclosures. I think it's --
 15 A. This one?
 16 Q. That one.
 17 A. You asked me what?
 18 Q. Would you call that document correspondence?
 19 A. Kind of.
 20 Q. Okay. Now, you said you -- the time you spent
 21 has been reading the documents and driving down here for
 22 this deposition, and doing the deposition. Can you give
 23 me a rough estimate of how much time you think that is?
 24 A. Gosh, I really couldn't. I can tell you how
 25 long it took me to drive here, you know.

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1 Q. Right.
 2 A. But as to how much exact time reading, I
 3 couldn't tell you.
 4 Q. Let me give you some gross. Do you think you
 5 spent weeks working on this case?
 6 A. No more than weeks.
 7 Q. Okay. Do you have any other responsibilities
 8 that might interfere with your ability to fulfill the
 9 duties as a proposed class representative?
 10 A. Not as I sit here today.
 11 Q. Would future travel to Delaware impose a burden
 12 on you?
 13 A. It would be more difficult, but I would
 14 certainly do it.
 15 Q. What do you stand to gain as a class
 16 representative?
 17 A. Whatever the court rules on a pro rata basis of
 18 what everybody bought. I don't know what that would be.
 19 Q. Now, what parts of the lawsuit do you intend to
 20 directly participate in other than this deposition?
 21 A. I don't know.
 22 Q. Would you attend a class certification hearing?
 23 A. If I were asked to by my attorney.
 24 Q. Would you attend a mediation?
 25 A. If I were asked to do so by my attorney.

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1 Q. Have you been asked by your attorney to attend
 2 any mediation or alternative dispute resolution?
 3 A. Not yet.
 4 Q. Who has the authority to settle this case?
 5 A. The attorneys.
 6 Q. Do you plan on attending the entire trial?
 7 A. If my attorneys say I have to be there.
 8 Q. Do you have an agreement with your attorneys
 9 concerning your costs in acting as a class
 10 representative? Let me give you an example. If you had
 11 to fly to Delaware, do you have an agreement with your
 12 attorneys who would pay for that flight to Delaware?
 13 A. I don't have any signed agreement, but I
 14 understand I would be reimbursed for expenses.
 15 Q. Other than Berger & Montague, do you have any
 16 other attorneys who represent you in this litigation?
 17 A. Whoever is in their firm that might be
 18 designated to do something, but I don't know of anybody.
 19 Q. How did you choose your attorneys?
 20 A. How did I choose them?
 21 Q. Yes.
 22 A. I was contacted by them.
 23 Q. Why did you choose Berger & Montague in
 24 particular?
 25 A. That's who contacted me.

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1 Q. Do you have a fee agreement with your
2 attorneys?
3 A. No.
4 Q. Do you have any understanding of how your
5 attorneys will be paid?
6 A. I would assume from the proceeds of any award
7 the court makes.
8 Q. Now, you say you assume that. You don't know
9 for sure?
10 A. Well, basically, as I would say, no one has
11 said I will get my money from this source, but I know
12 enough to know that, yes, attorneys are paid out of the
13 proceeds.
14 Q. You don't think we work for free?
15 A. Somehow, I don't -- the ones I have don't.
16 Q. Do you know how much your attorneys bill per
17 hour?
18 A. I do not.
19 Q. And I'm going to assume based on your previous
20 answers that you didn't take competitive bids from any
21 other attorneys?
22 A. No.
23 Q. How often do you speak with the attorneys about
24 this lawsuit?
25 A. I probably have had four or five conversations

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1 total.
2 Q. How many of those conversations have been in
3 the past year?
4 A. Well, probably all -- most all of them. Some
5 might have been, you know, nearer the time of the
6 filing, whenever that was.
7 Q. Do you know how many motions your counsel have
8 filed in this case?
9 A. No.
10 Q. Who makes the strategy calls in the case?
11 A. I would assume the attorneys.
12 Q. But not you?
13 A. No.
14 Q. Now, if you disagreed with your attorney's
15 decision about how to handle some aspect of the case,
16 what would you do?
17 A. I would defer to the attorney.
18 Q. Have you discussed the strengths and the
19 weaknesses of your case with your attorneys?
20 A. I don't know that we discussed it in that form,
21 no.
22 Q. You say not in that form. Have you discussed
23 it in some other form?
24 A. Just conversations about the lawsuit.
25 Q. Have you discussed the prospects of settlement

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1 with your attorneys?
2 A. The word settlement was mentioned, yes, in a
3 letter, I think.
4 Q. Do you know whether a settlement offer has been
5 made?
6 A. No.
7 Q. Who do you believe is responsible for actively
8 managing and controlling the litigation?
9 A. The attorneys.
10 Q. Have you had, other than Berger & Montague,
11 have you had contact with other attorneys regarding
12 Adams Golf?
13 A. No.
14 THE REPORTER: Are you shaking your head?
15 THE WITNESS: No. I'm just kind of going
16 from side to side.
17 THE REPORTER: I didn't hear an answer.
18 MS. REED: She said no.
19 Q. (BY MS. REED) Now, you mentioned that you --
20 if you had to fly to Delaware that your attorneys would
21 reimburse you?
22 A. That's my understanding.
23 Q. Your understanding. Would they reimburse you
24 regardless of the outcome of the lawsuit?
25 A. Yes, that's my understanding.

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1 Q. What understanding do you have as to costs you
2 might have to pay?
3 A. That I don't pay any costs.
4 Q. Do you have any knowledge of what costs are
5 involved in the litigation?
6 A. No.
7 Q. Do you know the magnitude of costs of this
8 litigation?
9 A. No.
10 Q. What steps, if any, have you taken to manage
11 the costs incurred in this lawsuit?
12 A. None.
13 Q. Have you ever reviewed monthly time and expense
14 reports prepared by your counsel?
15 A. No.
16 MS. FOX: Well, I'll object to the form.
17 Q. (BY MS. REED) Do you know whether defendants
18 could seek to recover costs of the lawsuit from you
19 alone if they win?
20 A. They don't --
21 MS. FOX: Wait. That calls for a legal
22 conclusion. That's not fair.
23 MS. REED: Well, I'm just asking for her
24 understanding of cost structure in a lawsuit. I'm not
25 asking for --

15 (Pages 54 to 57)

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1 Q. (BY MS. REED) I'm not going to bind you to
2 whatever you say in terms of, "Well, she said she'd pay
3 us."

4 A. No, I don't know.

5 Q. If the plaintiffs lose in this case, would you
6 be able to pay plaintiffs' costs?

7 MS. FOX: I'll object to the form. Under
8 the Delaware law, we're allowed to have a contract with
9 her that is completely contingent, and that's what we
10 have.

11 Q. (BY MS. REED) If the plaintiffs lose, would
12 you be able to pay defendant's costs?

13 A. No.

14 Q. What financial resources do you have available
15 if you were ordered to pay costs?

16 MS. FOX: I object to the form. You
17 haven't made any -- there's no possible law that says
18 that she would personally have to pay.

19 Q. (BY MS. REED) Did you review the court's order
20 on the Defendant's Motion to Dismiss?

21 A. I think I did.

22 Q. Do you know what parts of plaintiffs' complaint
23 the court dismissed?

24 A. The best I remember, there were two causes of
25 action possibly. I think they kept the gray market.

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1 Q. And when you say "they," meaning --

2 A. The courts. The courts.

3 Q. Are you aware of any appeal from the district
4 court's order?

5 A. Yes, there was an appeal.

6 Q. Why did it take plaintiff so long to appeal
7 from the district court's order?

8 MS. FOX: Object. I don't know what
9 you're talking about.

10 MS. REED: Okay.

11 MS. FOX: I mean, how could she possibly
12 know that there's a 30-day --

13 MS. REED: No, no, okay.

14 MS. FOX: I mean, if you're going to
15 appeal, it's got to be in 30 days. That's under the
16 rules, but that's not something she knows.

17 MS. REED: I'm just talking about from the
18 order.

19 Q. (BY MS. REED) Are you aware of any -- of any
20 gap in time between the order on the motion to dismiss
21 and the final judgment?

22 MS. FOX: I object to it. She doesn't
23 even know what a motion to dismiss is. I mean, that's
24 just not part of what she has to know.

25 Q. (BY MS. REED) Okay. All right. Well, you say

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1 your attorney sends you different things, right? And
2 different papers, like the initial disclosures, and the
3 complaint. Did they send you anything having to do with
4 a motion to dismiss?

5 A. I can't recall that, specifically.

6 Q. Okay. We have been going for about an hour and
7 a half. Do you want to take a break?

8 A. No, we can move right along.

9 Q. You want to keep going?

10 A. Uh-huh.

11 Q. All right. I think we'll be done -- just so
12 you know. I think we'll be done.

13 Let's look back at Exhibit 4, a
14 certification. You mentioned that this was accurate as
15 to the shares purchased, but not as to the shares sold;
16 is that right?

17 A. That's -- it's just omitted.

18 Q. Right, right. I actually need to take a break
19 so I can look at the documents. Just so -- I think
20 it'll just go faster.

21 MS. FOX: Do we have those others back?

22 MS. REED: We do. Actually I need a
23 break.

24 (Recess taken 11:26 a.m. - 11:47 a.m.)

25 MS. REED: Back on the record.

Page 6

1 Q. (BY MS. REED) All right. I've reviewed the
2 documents that you gave to me. So thank you very much.
3 And we'll get to those probably in a little bit. But
4 that's what took so long on the break.

5 Let me show you what we have marked as
6 Exhibit 5. Have you ever seen this document before?

7 A. Yes, I think I have.

8 Q. What is it?

9 A. Well, it's a request to produce documents, as
10 best I see.

11 Q. And have you produced documents in response to
12 this?

13 A. Yes.

14 Q. And then you brought those additional
15 responsive documents with you today?

16 A. Yes.

17 Q. Do you have any other documents that are
18 responsive to this request?

19 A. Not that I'm aware of, but as I say, I've moved
20 offices at least three times since this, and I'm
21 continuing to see if there's anything I can find.

22 Q. What did you do to gather responsive documents?

23 A. Went through files.

24 Q. Did you do a complete search of all your files
25 to see if you had any documents?

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1 A. As far as I know. I have warehouses yet to --
 2 you know, self-storage units that I might still glance
 3 in, but I think I have them all here.

4 Q. So you've searched your office files, but
 5 haven't searched your self-storage unit files?

6 A. The only place would be one of the storage
 7 units. I have searched everywhere else.

8 Q. Did you search for any files on your computer?

9 A. I don't know how to turn on my computer. I
 10 have a nice one, though. I can't turn it on.

11 Q. Then there's probably not files there.

12 A. No.

13 Q. Did you contact anyone about obtaining
 14 responsive documents? So, for example, did you contact
 15 your broker to obtain responsive --

16 A. No, I think I already had those, like when I
 17 sold the stock and stuff.

18 Q. Would anyone else have documents responsive to
 19 this request, like a family member?

20 A. No.

21 Q. Do you keep a file of documents related to the
 22 lawsuit?

23 A. I have so far come upon three different little
 24 files. So -- that I put it in a folder and put Adams
 25 Golf on it, there probably are two or three.

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1 Q. And what documents do you keep in that file?

2 A. Things like this, and the stock information as
 3 well.

4 Q. And when you say "like this," you were
 5 referring to Exhibit 5?

6 A. Yes, and the --

7 Q. And I don't think I identified it for the
 8 record. Exhibit 5 is defendant Adams Golf's first
 9 request for the production of documents and things from
 10 proposed class representatives, Federated National
 11 Insurance Company, John Morrash, Todd Tonore, F. Kenneth
 12 Shockley and Patricia Craus, there are Bates numbers for
 13 that, I guess it's Pages 1 through 8, and an additional
 14 page on the end with the style.

15 Let me show you what we have marked as
 16 Exhibit 6. Do you recognize this document?

17 A. Yes.

18 Q. And what is that?

19 A. It's Responses and Objections of Patricia Craus
 20 to Defendant Adams Golf, Inc.'s First Request For
 21 Production of Documents and Things, From Proposed Class
 22 Representatives, Federated National Insurance Company,
 23 John Morrash, Todd Tonore, F. Kenneth Shockley and
 24 Patricia Craus.

25 Q. Thank you. When did you first see this

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1 document?

2 A. I don't know when as far as date is concerned.
 3 Let me see if it has a date on it. I couldn't tell you
 4 exactly when.

5 Q. Okay. Did you review this document before --

6 MS. FOX: Wait a second. It's missing
 7 page 8.

8 MS. REED: Oh, it is?

9 THE WITNESS: Yeah, mine is too.

10 Q. (BY MS. REED) Page 8 is -- let me --

11 MS. FOX: It's where the signature was.

12 MS. REED: Let me tear out my page 8 so
 13 you have a complete set.

14 MS. FOX: I thought there was a place that
 15 says -- it shows a place for her to sign.

16 MS. REED: I don't think so. This is --

17 I'm pretty sure mine's complete, because that was page
 18 8, and then Page 9.

19 Q. (BY MS. REED) And so it's dated February 11th,
 20 2005. Did you see this document before --

21 MS. FOX: No, wait. This is page 8 of the
 22 document --

23 THE WITNESS: Yeah, she handed it to you.

24 MS. FOX: Request for production. And
 25 we're looking at the interrogatories, aren't we?

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1 MS. REED: No. We should be looking at
 2 the request for production.

3 MS. FOX: We were looking at the
 4 responses -- oh, okay. Okay. Sorry.

5 MS. REED: That's okay. I'm sorry that it
 6 somehow didn't get copied.

7 Q. (BY MS. REED) Did you see this document before
 8 February 11th, 2005?

9 A. No, I don't think so, since that's the date on
 10 it, it would have had to have been mailed to me.

11 Q. Did you see a draft of this document before
 12 February 11th, 2005?

13 A. No.

14 Q. Have you ever seen drafts of documents filed by
 15 your attorneys?

16 A. Yes.

17 Q. Which documents have you seen drafts of?

18 A. The ones -- some of these that have been
 19 produced today in the -- the ones we discussed earlier,
 20 that -- something about the appeal and -- different
 21 documents. I don't have their names.

22 Q. Okay. Now, on Page 4 of Exhibit 5 -- or
 23 Exhibit 6. I apologize. Your responses, it says under
 24 the heading, Objection to Relevant Time Period. It says
 25 "Documents" --

17 (Pages 62 to 65)

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1 A. Yes.
 2 Q. What is it?
 3 A. It's my responses to the interrogatories.
 4 Q. And when did you first see this document or a
 5 draft of this document?
 6 A. It was dated February the 11th, 2005. So
 7 again, shortly thereafter.
 8 Q. Now, these documents -- these responses are
 9 responses for you personally and not including anything
 10 to do with your attorney; is that right?
 11 A. Yes, that's correct.
 12 Q. Okay. Do you have any other information that's
 13 responsive to these interrogatories that is not already
 14 contained in your responses here?
 15 A. I provided you all the documents in everything
 16 I found.
 17 Q. Okay. But these interrogatories are --
 18 MS. FOX: Just take a look at them.
 19 Q. -- questions and not asking for documents.
 20 A. Okay.
 21 Q. In looking at these questions, is there
 22 anything that you can add to these questions that you
 23 haven't already told me?
 24 A. Well, under Interrogatory No. 2, I, as a named
 25 plaintiff, I would be consulted by the attorney on, you

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1 know, if it got to settlement talks or things like that.
 2 Q. Okay.
 3 A. Under Interrogatory No. 6, would that be where
 4 I had discussions with the Smiths? I don't know that it
 5 would or not, but I have had discussions with --
 6 MS. FOX: Well, current or former
 7 employees, customers, distributors --
 8 MS. REED: Or any third party.
 9 MS. FOX: -- or defendants.
 10 THE WITNESS: Okay. It's probably
 11 accurate. I think that, yes, would be right.
 12 Q. (BY MS. REED) Okay. Let me ask you a
 13 little -- this is sort of stepping back a little bit.
 14 What is your understanding of what gray marketing is?
 15 A. That would be where it was not, I would say --
 16 if I compared it to cars, it's where, you know, it's not
 17 a legitimate dealer. There -- you know, it's provided
 18 for the public, but not through a legitimate dealer in
 19 the United States. So I guess it's very similar to
 20 this, where people got, you know, attained golf clubs to
 21 sell that were not through the methods of the marketing
 22 program, which was the pro shops, and the various things
 23 they mention.
 24 Q. What companies are affected by gray marketing?
 25 And in this, I'm not limiting it just to the golf

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1 industry. I'm just -- your personal knowledge of what
 2 company. You gave me an example of -- or I guess maybe
 3 a better question is, like what industries? So you gave
 4 me an example of cars. What other circumstances are
 5 there where there could be gray marketing?
 6 A. Well, of course, in things like golf clubs
 7 here, definitely would be. I would assume where they
 8 stand on the street in New York on the corner and sell
 9 you Rolex watches for \$25, that type of thing.
 10 Q. Is gray marketing limited to the golf industry?
 11 A. No, I don't think so.
 12 Q. In 1998, was any other golf company affected by
 13 gray marketing?
 14 A. I don't know.
 15 Q. Do you know if Callaway was affected by gray
 16 marketing?
 17 A. I really wouldn't know. I really had my eyes
 18 on Adams Golf since that's where my investment was. So
 19 I really don't know what they did.
 20 Q. I'm not sure we covered this. How did you
 21 first learn about Adams Golf. I know you talked to
 22 Barney, but when was your -- when did you first learn
 23 about Adams Golf?
 24 A. From the Smiths. We were in Hawaii and Barney
 25 Adams called Mr. Smith, and needed very desperately some

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1 money, I think it was \$75,000 to pay the bills. And I
 2 went with Mr. Smith when -- I think I went with him when
 3 he wired the money the next day or had it by telephone
 4 wired.
 5 Q. And when was that?
 6 A. It was well before the IPO. I try to relate
 7 things to that, but I wouldn't know.
 8 Q. Like a couple of years before the IPO or --
 9 A. No, I would say -- well, I really don't know.
 10 MS. FOX: Don't guess.
 11 THE ANSWER: I really don't know.
 12 Q. (BY MS. REED) Okay. Was it months before the
 13 IPO?
 14 A. Oh, yes, it would have been that, but I really
 15 don't know. If I knew a date, I really would tell you.
 16 Q. Yeah. And how did you decide that you should
 17 first invest in Adams Golf?
 18 A. Well, I had toured his plant two or three
 19 times, and I had been to the Hank Haney school, and I
 20 believe that I hit some of their clubs, and then
 21 Mr. Smith, you know, had this close relation to Barney
 22 Adams, and I had met him on several occasions.
 23 MS. FOX: "Met him" meaning?
 24 THE WITNESS: Mr. Adams. Mr. Adams, and I
 25 felt that he had a good product from what I saw, and I'm

19 (Pages 70 to 73)

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1 not a professional. And then I learned that there was
2 going to be the initial public offering on the stock. I
3 don't know before -- the early times with Mr. Smith, I
4 don't know anything about what stock existed, but it was
5 not much value. So I talked to Mr. Adams about what
6 stock I would get on a preferred treatment, and then
7 after the Lehman Brothers, I was told by Mr. Adams to
8 contact Lehman Brothers, as they would be handling the
9 sale.

10 Q. (BY MS. REED) Okay. I want to show you what
11 we've marked as Exhibit 9, and this was produced to you
12 or by you. I'm going to represent to you that I stapled
13 it. So you hadn't stapled it in a particular way. So
14 this is my stapling. It's Bates stamped PC 1 through PC
15 4. What is this document?

16 A. Well, it was from Lehman Brothers telling me
17 that Barney Adams had contacted them and that I would be
18 allowed to invest in a new issue of stock. It really
19 related somewhat to that special price on 200 shares,
20 but it -- it just says you can -- you know, it will be
21 limited -- let's see. Less shares. That I was reserved
22 those shares.

23 Q. Okay. Can you show me where you're reading
24 from?

25 A. Well, on the first page, the -- on the second

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1 paragraph, the attached is a package to be completed in
2 full for you to be eligible to invest in this new issue.
3 The maximum number of shares that you will be able to
4 buy has been indicated due to the supply and demand of
5 the issue, we kind of allocate additional shares. So
6 that was telling me I, through Barney, would get
7 preferential treatment on 2, but it doesn't mention that
8 it was 200 shares in this letter. It was told -- that
9 was either written in another letter, which I haven't
10 found, or by telephone with Mr. Gamso.

11 Q. Okay. All right. Now, I'm going to show you
12 what has been marked as Exhibit 10, and again, I'll
13 represent to you that I stapled it, but I think it goes
14 together. It is Bates stamped PC 5 to PC 12. What is
15 this?

16 A. Well, it's a -- a note I had my secretary send
17 after -- actually, it looks like, and my memory may have
18 been --

19 MS. FOX: Why don't you look at it, the
20 whole thing carefully, before you --

21 THE WITNESS: Okay. This is communication
22 between myself and Mr. Gamso with Lehman Brothers.

23 Q. (BY MS. REED) Okay. And is -- you can go
24 ahead. I'm sorry.

25 A. That's okay.

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1 Q. Is the information in this that you have filled
2 out; is this all true?

3 A. Yes.

4 Q. So let's walk through this. The note on the
5 front, is that your secretary's writing?

6 A. That is my secretary's writing, except for
7 "Adams Golf" at the top. I wrote that.

8 Q. Okay. And the note on it says "6/29/98. Tim
9 Gamso confirmed receipt by fax, also called back at
10 4:30. Agreed to sell PC" -- which I assume is Pat
11 Craus.

12 A. Yes.

13 Q. "1,000 shares"?

14 A. Uh-huh.

15 Q. Is that right?

16 A. That's correct. I will correct one thing on
17 myself, the -- the handwriting at the top is my
18 secretary's. This portion here is my --

19 Q. Oh, this is your handwriting?

20 A. Yes.

21 Q. Oh, okay. So here it looks like Tim Gamso said
22 that you would be able to purchase a thousand shares.

23 A. That's correct.

24 Q. Okay. Then as we continue through, you are
25 basically asking what looks like Lehman to open you an

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1 account so you can purchase an IPO

2 A. Yes.

3 Q. And then you fill out this questionnaire, and
4 then on PC 11, which is form 2 --

5 A. Yes.

6 Q. -- you say under investment objections --
7 excuse me, objectives. Your number one objective is
8 growth, and then your next is current income, your next
9 is liquidity, and your next is tax deferral. Was that
10 true at the time?

11 A. Yes.

12 Q. Is that still true today?

13 A. Yes.

14 Q. And then it also says that your risk tolerance
15 is aggressive; is that correct?

16 A. Aggressive in the sense that I understood when
17 the stockbroker asked you, you know, when you're very --
18 what's the word, conservative or aggressive, I would
19 call myself aggressive.

20 Q. Okay. And then on the next page, which is PC
21 12, it gives you an estimated annual income of \$100,000,
22 an estimated liquid net worth of a million, and a total
23 net worth of two million. Was that correct at the time?

24 A. Yes.

25 Q. Was -- would that still be correct?

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1 A. Oh, yes. Yes.
 2 Q. So that's where it says that you're preferred
 3 and then on the next page, PC 2, which is dated the
 4 same, that's where it says that it would be a \$14 to \$16
 5 per share; is that right?
 6 A. But I had telephone communications with
 7 Mr. Gamso in which it was discussed that I would have a
 8 limit as to how much I could buy at the lower price,
 9 which I think was going to be \$2 a share, and he said
 10 that I would receive that price. I didn't.
 11 Q. So other than the oral communication with
 12 Mr. Gamso, you don't have anything that talks about that
 13 price?
 14 A. Just the letter from Barney Adams that mentions
 15 preferred and no one put in writing that it was to be \$2
 16 or whatever that number was. I don't have it in
 17 writing.
 18 Q. I think -- when you say the letter from Barney
 19 Adams, do you mean the letter from Lehman Brothers
 20 saying that Barney Adams has included --
 21 A. That's right. Yes. I'm sorry.
 22 Q. Okay. That's okay.
 23 Let me -- now, I'm showing you what's been
 24 marked as Exhibit 13, at least your copy has been. Now,
 25 this is the document you provided to me today. It's

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1 Bates stamped PC 21, and then it skips to PC 24 and goes
 2 to PC 35. Now, on the -- I think to speed it up, this
 3 first page looks to be a handwritten summary of your
 4 purchases of Adams Golf stock; is that right?
 5 A. Yes.
 6 Q. And in that -- based on my look over the break,
 7 it looks like it summarizes those trades I've just shown
 8 you, plus these trades on PC 24 to PC 35; is that right?
 9 A. Yes.
 10 Q. And other than the trades listed on this page,
 11 PC 21, did you trade in Adams Golf stock?
 12 A. Not that I can remember.
 13 Q. Okay. Now, starting at the bottom where you
 14 have 1, you have Lehman, and I think that's 7/9/98; is
 15 that right?
 16 A. Yes.
 17 Q. So that's your IPO purchase?
 18 A. Yes.
 19 Q. And then your sale with that is 11/9/98?
 20 A. Yes.
 21 Q. And then your second purchase was with Jack
 22 White?
 23 A. Yes.
 24 Q. And then it was bought on 1/11/99?
 25 A. Yes.

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1 Q. And then sold on 4/7/99?
 2 A. Yes.
 3 Q. And then your third purchase was bought on 1/27
 4 and 1/28/99 and sold on April 7th, '99; is that right?
 5 A. Yes, that's correct.
 6 Q. Okay. So we went over the reasons why you
 7 bought in your IPO purchase. So if we look at the
 8 second purchase on January 11th, why did you buy Adams
 9 Golf stock on January 11th?
 10 A. I was trying to leverage the loss and the
 11 purchase price of the shares, you can see, were a great
 12 deal less.
 13 Q. So what do you mean by trying to leverage?
 14 A. Well, to buy at a price that I felt it surely
 15 might go higher on. But it kept going down instead. As
 16 you see, I probably lost a little bit on the dollar.
 17 Q. Uh-huh. And then later on in January, it --
 18 why did you buy?
 19 A. The same reason. I wanted to try to average
 20 out from the \$16 down to whatever it was, four and an
 21 eighth or whatever, to try to, you know, reduce my
 22 losses.
 23 Q. Okay. Were you -- were you following the
 24 company? By the company, I mean, were you following
 25 Adams Golf in the newspaper or the golf magazines or

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1 analyst reports throughout this time period?
 2 A. Probably those, in addition -- probably
 3 conversation with Barney and the Smiths.
 4 Q. Okay. Have you ever read an analyst's report
 5 on the golf industry?
 6 A. I believe Lehman Brothers made a number of
 7 analyses in the prospectus.
 8 Q. And have you ever read an analyst's report
 9 about Adams Golf, specifically, other than Lehman
 10 Brothers?
 11 A. I don't think so.
 12 Q. What percentage of your total securities
 13 holdings did your Adams Golf purchases comprise?
 14 A. I don't recall how much stocks that I owned at
 15 that time. I just -- it's possible -- I really don't
 16 remember how much stock, but it wasn't a whole lot.
 17 Q. It was less than 50 percent?
 18 A. It would be less than 50 percent.
 19 Q. Less than 25 percent?
 20 A. I really am not sure.
 21 Q. Do you know what stock exchange Adams Golf was
 22 trading on during the class period?
 23 A. I know I always had to hunt for it in the Wall
 24 Street Journal. I think they were on the American Stock
 25 Exchange.

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1 settlement of the total.

2 Q. What do you hope to accomplish as a result of
3 the lawsuit for yourself?

4 A. Well, hopefully, some financial recovery. I
5 think additionally, my concerns for the general class
6 of -- because I think investments are made on all levels
7 and where it hurts people that couldn't have afforded to
8 be hurt.

9 Q. What do you claim are your individual damages?

10 A. Well, financially, it would be listed on that
11 Exhibit 13, you know, where I -- where I lined them up
12 there. That would -- if you figured them up, that would
13 show you the financial damage.

14 Q. Okay. So you're saying what you bought it at
15 minus what you sold it at?

16 A. Right.

17 Q. What do you claim are the total damages for the
18 class?

19 A. I don't know.

20 Q. Do you believe you're entitled to anything more
21 than other class members as a percentage basis?

22 A. No, I don't.

23 Q. And do you have any agreement in place that
24 would compensate you any additional amount?

25 A. No.

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1 Q. All right. We are so almost done. I'm going
2 to ask you a bunch of questions that I just have to.

3 Have you -- you mentioned earlier that
4 your company was a party to other civil litigation, land
5 development cases?

6 A. There were some lawsuits.

7 Q. Other than those, have you been a party to any
8 other civil litigation -- oh, and the American Airlines.
9 I'm sorry. So other than the land development and the
10 American Airlines, any other civil litigation?

11 A. No.

12 Q. Have you ever had a judgment levied against
13 you?

14 A. No.

15 Q. Have you ever been tried for a crime?

16 A. No.

17 Q. Have you ever been terminated from a job for
18 dishonesty or embezzlement?

19 A. No.

20 Q. Have you ever been a witness at a trial?

21 A. No, I don't think so. Witness?

22 MS. FOX: That would mean like there was a
23 judge or a jury and you went to the courthouse, and you
24 testified.

25 THE WITNESS: Related only to my

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1 businesses.

2 Q. (BY MS. REED) Okay. Have you ever been held
3 in contempt of court?

4 A. No.

5 Q. Have you ever filed for bankruptcy?

6 A. No.

7 Q. Have you ever become insolvent?

8 A. No.

9 Q. Do you have any personal family or business
10 relationship with your attorneys apart from your
11 relationship in this suit?

12 A. No.

13 Q. And do any of your friends have any personal
14 relationship with the attorneys other than your
15 relationship -- I guess -- wait. Let me withdraw that.

16 Do any of your friends have a personal
17 relationship with your attorneys?

18 A. Not that I'm aware of.

19 Q. Now, you mentioned when -- that you received a
20 letter from Todd Collins?

21 A. Yes.

22 Q. Was that your first communication with Berger &
23 Montague?

24 A. I don't -- I kind of think somehow I was made
25 aware of the class action, and I don't know -- I

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1 probably called that law firm. I think there was
2 several law firms in the article, and I don't know why
3 selected that law firm, but that would be my -- I
4 probably called Mr. Collins, more than likely.

5 Q. I forgot one more exhibit. Exhibit 12. Have
6 you seen this before?

7 A. I'm not sure, but the latter part about the
8 Collins, Mr. Collins in that firm, I had learned.

9 Q. Okay. Let me -- sorry. Let me identify it for
10 the record. Exhibit 12 is the Memorandum of Law in
11 Support of Plaintiff's Submission For Class

12 Certification. Do you know when this was filed?

13 A. No, it's dated November the 12th, 2004, but I
14 wouldn't know.

15 Q. Did you review it before it was filed?

16 A. I probably did, I guess.

17 Q. Do you know if you did?

18 A. No, I don't know positively.

19 Q. Okay. And did you make any revisions to it?

20 A. No.

21 Q. All right. I think that's all I have for now.

22 The only thing, I forgot to remind you to check on your
23 break. I don't know if you did. Did you check on your
24 break?

25 A. What were the questions?

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1 Q. Okay. So was there a -- what I'm trying to
2 just get at is was there a lag of time between the time
3 you saw these articles and the time you ultimately
4 decided to sell your shares in November?
5 A. Well, there might have been some time, but not
6 a lot, I wouldn't think. I really don't recall exactly
7 when I saw the articles.
8 Q. Was there anything else that you saw in the
9 interim between seeing these articles and ultimately
10 selling your shares for the first time in November
11 of '98 that sort of tipped the scales for you to go
12 ahead and sell your shares?
13 A. Well, yes. I think I said earlier that I heard
14 or read, and I can't remember which, it would have been
15 either through Barney Adams or the Smiths, or something
16 I read, that the pro shops, a lot of the pro shops were
17 very unhappy with the company, and were returning their
18 golf clubs to get a -- well, to get a refund, I suppose
19 would be the word.
20 Q. Okay. Now, when you purchased additional
21 shares of Adams Golf in January of '99, was it your
22 understanding that there was no more gray marketing
23 going on of Adams Golf clubs?
24 A. I really don't know.
25 Q. Is it fair to say you weren't sure whether the

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1 problem they had been having was still going on at that
2 point?
3 A. I was looking more at the price of the stock,
4 and thinking that, you know, when it dropped so
5 dramatically, that it would be safe to buy some and
6 maybe average out the loss.
7 Q. So is it fair to say that when you bought the
8 stock in January, that you thought that it had potential
9 to go up?
10 A. Oh, absolutely, yes.
11 Q. And is the same true for your purchase in late
12 January, you thought the stock had potential?
13 A. Each time I bought I had great hopes.
14 Q. Okay. I just want to circle back to your
15 conversations with Lehman Brothers, your communication
16 with them. Again, I'm going to try not to re-cover any
17 ground. I just want to try to nail a few things down.
18 My understanding of your testimony earlier was that
19 Barney Adams suggested that you get in touch with Lehman
20 Brothers prior to the IPO; is that right?
21 A. Yes.
22 Q. Okay. And you did call Lehman Brothers?
23 A. Yes.
24 Q. Or called somebody at Lehman Brothers?
25 A. I just called Lehman Brothers, and I was put

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1 with Mr. Gamso.
2 Q. Okay.
3 A. I guess he was handling.
4 Q. So you called up and said I'm interested in
5 this IPO. And was sent to talk to Mr. Gamso?
6 A. Yes.
7 Q. When was that call, do you recall?
8 A. Well, of course, it was before the IPO.
9 Q. Sure. Was it months before, weeks before?
10 A. Wouldn't have been a whole lot before; maybe
11 weeks, could have been months. I really -- I don't
12 really know.
13 Q. And that was the first conversation you had
14 with Mr. Gamso?
15 A. Yes.
16 Q. And the first conversation that you had with
17 anybody at Lehman Brothers?
18 A. Yes.
19 Q. Okay. You never bought stock with them prior
20 to that at any point?
21 A. Not that I have any awareness of.
22 Q. Okay. After you made that first call to
23 Mr. Gamso, about how many times did you speak with him
24 subsequent to that?
25 A. We spoke a number of occasions.

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1 Q. Uh-uh.
2 A. I don't know. Maybe eight or ten times, just a
3 guess.
4 Q. And when was your last conversation with
5 Mr. Gamso?
6 A. Probably when I told him to sell the stock.
7 Q. Would that be in November of 1998?
8 A. Whatever date the sale took place.
9 Q. All right. Just to be clear, your purchases in
10 January of '99, stock were not done through Lehman; is
11 that correct?
12 A. I beg your pardon.
13 Q. The purchases of your stock -- purchases of
14 Adams Golf stock that were made in January of 1999 were
15 not done through Lehman; is that correct?
16 A. That is correct.
17 Q. Okay. Other than the documents that you've
18 produced so far in the correspondence with Lehman, are
19 you aware of any other correspondence or documents that
20 reflect communications between you and Lehman Brothers
21 about the Adams Golf stock?
22 A. Not other than what we've discussed today.
23 Q. Okay. And I believe you testified earlier,
24 again, counsel will correct me if I'm wrong, that
25 Mr. Adams suggested to you that there would be a certain

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1 amount of stock available to you for \$2 a share; is that
 2 right?
 3 A. It was a very preferred amount. It was a
 4 special list, and I don't -- you know, as I say, I don't
 5 have anything showing it was \$2, but I think that's what
 6 it was.
 7 Q. And was it Mr. Adams that told you this,
 8 initially?
 9 A. Yes.
 10 Q. Okay. Then when you called Mr. Gamso, did you
 11 speak to him about this preferred list?
 12 A. Yes.
 13 Q. Okay. And again, just to be sure, is it your
 14 testimony that Mr. Gamso told you during one of your
 15 conversations that you would be able to purchase a
 16 certain amount of stock at \$2 a share?
 17 A. That's what he -- that's what we discussed by
 18 telephone. I don't have anything in correspondence that
 19 way.
 20 Q. When you bought the stock initially in the IPO
 21 for \$16 a share -- let me back up. I'm sorry. At some
 22 point, did Mr. Gamso tell you that there was not going
 23 to be any stock available to you at \$2 a share?
 24 A. Actually, no. I went into the IPO expecting
 25 that there would be this preferred amount, and as I

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1 recall, I talked to Mr. Gamso, and he said they -- they
 2 didn't have enough to go around to that effect.
 3 Q. Okay.
 4 A. And so I just dropped it.
 5 Q. So you decided to buy at the \$16 a share price?
 6 A. Well, I didn't know that until after the IPO.
 7 Q. So just to be clear, you were intending to
 8 invest a certain amount of money?
 9 A. Uh-huh.
 10 Q. And the number of shares was a surprise to you
 11 when you got it back, because you actually paid \$16
 12 instead of 2; is that right?
 13 A. Yes, the price was a shock to me, not the
 14 number of shares, because I had written on one of these
 15 documents that, you know, I would buy up to \$20,000
 16 worth.
 17 Q. Right. I saw a sticky note to that effect, I
 18 think, on one of these exhibits.
 19 A. But the price was a surprise to me.
 20 Q. Okay. When you learned that you had paid, in
 21 fact, \$16 a share for the Adams Golf stock, why is it --
 22 did you consider selling it right away?
 23 A. Well, no, because it dropped almost
 24 immediately.
 25 Q. Do you recall what the stock was trading at in

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1 the -- say the week after the IPO, what range it was
 2 trading at?
 3 A. I really don't.
 4 Q. Okay. Can you tell me in general terms, if you
 5 recall, how far it had dropped in the first month or so
 6 after the IPO, from \$16?
 7 A. Let's see.
 8 MS. FOX: Don't guess.
 9 THE WITNESS: I was just going to say if
 10 you'll refer to this list, the times I purchased showed
 11 the prices that it dropped to.
 12 Q. (BY MR. MCFVOY) Sure. This -- yeah, just
 13 wanted to know if you had a recollection of after -- in
 14 July of '98, that first month, IPO is -- comes out at
 15 \$16, if you had any -- any sense of how far it dropped
 16 in that first month. I know it ended up down at 4.80 in
 17 November, but did you have a sense that it was dropping
 18 precipitously, and then leveling out or something else?
 19 A. Well, my first sense was it wasn't sold to me
 20 at the price that I was told it would be sold to me for.
 21 That was a disappointment, which I mentioned to
 22 Mr. Gamso, and probably to Barney as well. Then I can't
 23 give you the time, but not a whole lot after that it was
 24 beginning to decline real rapidly, and that's when I
 25 found out about the amount of funds that were taken out

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1 for company personnel, the top executives, and I felt
 2 that also impacted the situation.
 3 Q. Okay. Can you just tell me if you have any
 4 understanding, what exactly -- well, strike that.
 5 Just to talk about this issue of funds
 6 going to certain individuals. Is it your understanding
 7 that Barney Adams received a certain amount of money in
 8 connection with the IPO?
 9 A. Oh, yes.
 10 Q. And do you have any idea how much money that
 11 was?
 12 A. I think my guess -- and this is something I
 13 believe I was told, was about \$14 million, or more.
 14 Q. Okay. And were there other individuals who
 15 received payments in connection with the IPO?
 16 A. Yes.
 17 Q. And do you know any of those other individuals?
 18 A. I don't know them, but they're listed.
 19 Q. And when you found out that these payments had
 20 been made to these individuals, did that make you --
 21 strike that.
 22 When you found out the payments had been
 23 made to the individuals, did you consider selling stock
 24 at that time?
 25 A. It was probably beginning to pray on my mind at

27 (Pages 102 to 105)

PATRICIA CRAUS

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1 that time, because I know that, in my opinion, in
 2 running my companies that would be a decision to be
 3 made.
 4 Q Now, other than Tim Gamso, did you have
 5 conversations with anyone else at Lehman Brothers?
 6 A. I talked at some time to -- some point with
 7 Steve McManus, I believe his name was, and with someone
 8 named Dawn.
 9 Q. You don't recall Dawn's last name?
 10 A. No, I don't.
 11 Q. Do you recall when about your first
 12 conversation with Steve McManus was?
 13 A. It would have been after the IPO.
 14 Q. After the IPO. And do you recall when your
 15 last conversation would have been?
 16 A. It would -- about -- well, after the IPO, so
 17 within a short period of time.
 18 Q. Okay. Did you only speak with him once or was
 19 it more than once?
 20 A. I might have spoken to Steve twice, but
 21 generally speaking, I think I worked with Mr. Gamso.
 22 Q. Did you ever discuss the issue of the preferred
 23 list and the price of the stock that you were expecting
 24 to get with Mr. McManus?
 25 A. I don't know that I did. I think mostly with

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1 Mr. Gamso.
 2 Q. And again, in connection with your conversation
 3 with Dawn, do you recall when your first conversation
 4 with her was?
 5 A. I really don't even recall, except that I had
 6 it in my notes that I spoke to Dawn.
 7 Q. Okay. Was it a one-time conversation or did
 8 you speak to her more than once, do you know?
 9 A. I think she was a secretary or something.
 10 Q. I think we're very close to the end here. Let
 11 me just flip through.
 12 Do you know whether any of the other
 13 potential class members bought Adams Golf stock
 14 subsequent to the IPO like you did in January of the
 15 following year?
 16 A. I don't know.
 17 Q. Okay. Do you know of anyone connected with the
 18 case, any of the named plaintiffs or the proposed class
 19 representatives who subsequently bought Adams Golf stock
 20 to leverage their positions as you did?
 21 A. I think probably Mr. and Mrs. Smith, but I
 22 don't know for sure when they bought or what they
 23 bought.
 24 Q. Okay. And you don't still own any Adams Golf
 25 stock?

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1 A. Let's see. I'm thinking that I bought some
 2 real -- very small share, more recently, because it's so
 3 far down, and I'm still trying to average out my losses.
 4 Q. So that would have been a purchase that's not
 5 reflected on this Exhibit 13?
 6 A. No, it wouldn't be. That paper was prepared
 7 before.
 8 Q. Do you have a general recollection of when,
 9 over the past year?
 10 A. Oh, it would be in the past months.
 11 Q. Within the past few months?
 12 A. Uh-huh. And it would have been a very small
 13 amount.
 14 Q. Talking hundreds of shares or --
 15 A. \$2,000 maybe.
 16 Q. \$2,000. I don't know how much that gets,
 17 but --
 18 A. I don't remember what it got me either.
 19 Q. Do you know whether your -- the Smiths or any
 20 of the other potential class members still own any Adams
 21 Golf stock?
 22 A. The Smiths, I feel confident do.
 23 Q. And I apologize if you've answered this
 24 already, but did the Smiths receive their stock in the
 25 IPO, initially? Did they buy --

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1 A. They bought some in the IPO, I believe. They
 2 once had 25 percent of the company, but it got
 3 immediately diluted to less than 5 percent.
 4 Q. And I just want to ask you. I know you've been
 5 through the allegations of the complaint. I don't want
 6 to go back to the documents, but can you tell me in your
 7 own words what it is that you believe that Lehman
 8 Brothers did wrong in this situation?
 9 A. Well, in reading the prospectus that I brought
 10 that was copied today, they gave incredibly glowing
 11 reports of the industry, the market, why this was going
 12 to be so great, and I think somebody had to be just less
 13 than informed when these other matters existed, some of
 14 them. And they knew they -- they would have to know the
 15 trends of the market. And yet, I think they predicted
 16 something like -- they expected it to be over \$21 in a
 17 very short period of time. I think they just oversold
 18 with better knowledge than to do so.
 19 Q. Okay. When you say they should have had
 20 knowledge of these matters, can you tell me specifically
 21 what it was they should have known? I don't want to put
 22 words in your mouth, but I'll assume it's the gray
 23 marketing problem.
 24 A. Well, the gray market is certainly one of the
 25 reasons it happened to them, but it was various